

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Planning and Building	(2) MEETING DATE 11/15/2016	(3) CONTACT/PHONE Ted Bench, Senior Planner/(805) 781-5701	
(4) SUBJECT Introduction of proposed ordinance amendment options to Title 29, the Affordable Housing Fund fee schedules for FY 2017-18, and setting a hearing date of December 6, 2016. All Districts			
(5) RECOMMENDED ACTION It is recommended that the Board introduce the ordinance amendments and direct the clerk to set the item for public hearing on December 6, 2016.			
(6) FUNDING SOURCE(S) Current Budget	(7) CURRENT YEAR FINANCIAL IMPACT N/A	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT { X } Consent { } Presentation { } Hearing (Time Est. ____) { } Board Business (Time Est. ____)			
(11) EXECUTED DOCUMENTS { X } Resolutions { } Contracts { X } Ordinances { } N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: { } 4/5 Vote Required { X } N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? Yes	(16) AGENDA ITEM HISTORY { } N/A Date: November 17, 2015	
(17) ADMINISTRATIVE OFFICE REVIEW Lisa M. Howe			
(18) SUPERVISOR DISTRICT(S) All			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Planning and Building / Ted Bench, Senior Planner/(805) 781-5701

VIA: Matt Janssen, Division Manager Policies and Programs

DATE: 11/15/2016

SUBJECT: Introduction of proposed ordinance amendment options to Title 29, the Affordable Housing Fund fee schedules for FY 2017-18, and setting a hearing date of December 6, 2016. All Districts.

RECOMMENDATION

It is recommended that the Board introduce the ordinance amendments and direct the clerk to set the item for public hearing on December 6, 2016.

DISCUSSION

SUMMARY

Title 29 – the Affordable Housing Fund of the San Luis Obispo County Code requires the Board to consider the following documents annually:

- Consider annual adjustments to the affordable housing in lieu fee schedules through an adopted resolution.
- Consider and review the annual report with regards to the performance of the program.
- Consider and adopt the yearly action plan specific to Title 29 funding allocations.

BACKGROUND

The Affordable Housing Fund and the Inclusionary Housing Ordinance (IHO) allows developers to pay an in-lieu fee (for residential projects), or a housing impact fee (for commercial projects), instead of providing affordable housing units on-site per the Inclusionary Housing Ordinance. This provision was adopted in 2008 by revising the County's Title 18 which eliminated an affordable housing fee requirement. The original Title 18 requirement stated that residential subdivisions shall be charged a fee in the amount of 3.5% of the Public Facilities Fees which would then go to an affordable housing fund. Title 18 was amended, and that language was removed with the creation of Title 29 in 2008. The Title 29 ordinance was written in conjunction with the Home Builders Association in an effort to provide flexibility for the developers having to build the inclusionary units on site, and allows the builder to pay an in lieu fee instead. Currently the County has collected \$670,387.50 within this fiscal year and has received \$1,127,028 since December of 2008. Following is a list of the funds that have been received prior to this fiscal year, and a list of projects which utilized the funds for construction:

- 2012 - \$39,155 collected 2010/11 and used on three projects – Tract 2975 in Oceano, Tract 2458 in Templeton, Moylan Terrace in San Luis Obispo.
- 2013 - \$72,355 collected 2012 and used on three projects - Tract 2975 in Oceano, Rockview Place in San Luis Obispo, Oak Park (Phase 1) in Paso Robles.

- 2014 -\$64,590 collected 2013 and used on three projects – Oak Park (Phase 1) in Paso Robles, Moylan Terrace (Phase 2) in San Luis Obispo, Oceano Project by PSHHC.
- 2015 -\$155,273 collected 2014 and used on four projects- Atascadero Triangle in Atascadero, El Camino Oak – Tract 2640 in Atascadero, South Street Family Apartments in San Luis Obispo, Morro Del Mar Senior Apartments in Morro Bay.
- 2016 -\$125,268 collected 2015 and used on three projects - Rolling Hills 2 Apartments in Templeton, Humbert Avenue Apartments in San Luis Obispo, the Home Rehabilitation Program by Habitat for Humanity for San Luis Obispo.

Total: \$456,641 (These funding sources contributed to the building of 242 units)

Adjustment to the In Lieu Fees:

The Title 29 fees may be adjusted for any of the following reasons:

- Annual construction cost adjustments
- Five-year phase-in period
- Based on results of a Nexus Study which is required by Title 29 to be conducted every five years (to be completed in 2017)

The Board has made no adjustments to the Title 29 fee schedules for seven years except for adding incremental construction cost increases. This was due to the economic downturn in the housing market, and the concern that implementing the full fee increase would be detrimental to the local housing industry. The fees remain at “Year 1” of a five year phase-in period.

The IHO was adopted in 2008 in response to the affordable housing shortage at that time which is very similar to the situation on the ground today with the lack of affordable housing units. In 2006, the median sales price for houses was approximately \$550,000. A moderate income family of four earned \$77,000 and could afford a house that costs up to \$340,000. Today, housing prices are returning to pre-recession levels. In 2015, the median sales price was approximately \$480,000 and it is closer to \$500,000 today. Currently, a moderate income family of four earns \$92,500 and can afford a house that costs up to \$398,000 (current County Affordable Housing Bulletin October 2016).

While the housing market shows strong signs of recovery, it is unclear whether the level of construction activities has stabilized. The Board may consider staying at the “Year 1” fee amounts. At “Year 1” the fee amounts are 20% of what the full fee would be. Moving to “Year 2” of the phase-in period would double today’s Title 29 fee amounts but would still collect only 40% of the full fee amount.

CURRENT ANNUAL FEE ADJUSTMENT

Your Board may consider options for adjusting the fee schedule. Provided in this report are three options for the purposes of this introduction. If the Board provides direction for an alternative option, Staff will return with a future introduction for public review of any alternative options per Board direction. The options presented in this report for introduction include the following three items:

1. Stay at “Year 1”
2. Stay at “Year 1” and add the annual construction cost increase of 3.6%.
3. Go to “Year 2”

NOTE: The attached resolutions and ordinance amendments reflect all three options. The Board may discuss all of the above options at a full hearing on December 6, 2016.

TITLE 29 ACTION PLAN

During the full hearing on December 6, 2016 County Staff will present the Title 29 Action Plan. The Action Plan includes a statement of all the funds received within the last fiscal year along with staff recommendations for projects which qualify for receipt of the funds along with the recommended funding amounts. The Board will receive within the December 6, 2016 staff report the details of the projects which qualify and the amount of funding requested by the applicants. The Board will review and adopt the Action Plan which will allocate those funds which were received in the last fiscal year.

OTHER AGENCY INVOLVEMENT

The attached report and resolutions have been reviewed by County Counsel. County Counsel has approved the resolutions and ordinance amendments as to form and legal effect.

FINANCIAL CONSIDERATIONS

The Board's action will determine the level of adjustment to the Title 29 fee schedules for FY 2017-18. Fee changes will go into effect in July, 2017.

These actions do not affect the cost to the County for administering the ordinances.

All County staff costs for administering Title 29 and the inclusionary housing ordinance are contained within the Planning and Building Department budget.

Business Impact Statement

Option 1, to stay at "Year 1," would make no change to the Title 29 fee schedules for the coming fiscal year. Option 2 would add a 3.6% increase in the fee schedules to reflect the increase in construction costs. The fees are used to pay for construction of affordable housing, and construction costs have increased year-over-year by 3.6%. Option 3 would allow a step increase to "Year 2" of the five year phase-in period.

The economic impact and nexus studies that were prepared in conjunction with Title 29 indicate that the Design-Build Business Cluster will be able to absorb the impact of the Title 29 fees after the fees have been fully implemented at the end of the five-year phase-in period.

RESULTS

The intended result is to protect the viability of new development and to require a fair contribution to address the increasing affordable housing needs of the County. The recommended actions may generate more fee revenues or may encourage developers to avoid the fees by producing more affordable housing units.

Encouraging the provision of affordable housing helps the County to meet many of its county-wide goals, including the goal of creating more livable communities, providing employee housing to support business growth, and addressing the County's shortage of affordable housing.

ATTACHMENTS

1. Attachment 1 Resolution to Adopt a 0.0% increase to Title 29
2. Attachment 2 Title 29 Ordinance Amendment with a 0.0% increase
3. Attachment 3 Resolution to Adopt a 3.6% increase to Title 29
4. Attachment 4 Title 29 Ordinance Amendment with a 3.6% Increase
5. Attachment 5 Resolution to adopt a step increase ("Year 2") to Title 29
6. Attachment 6 Title 29 Ordinance Amendment with an increase to "Year 2"